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SUBJECT: DOMINICAN ELECTIONS #3: PRESIDENT'S CHIEF OF STAFF
PREVIEWS ELECTIONS, QUESTIONS ETHICS

Classified By: Economic and Political Counselor Michael Meigs for
Reasons 1.4 (b) and (d).

1. (C) This is the 3rd cable in a series reporting on the
Dominican Republic's 2006 congressional and municipal
elections:.

President's Chief of Staff Previews Elections, Questions
Ethics

Secretary of the Presidency Danilo Medina, meeting with

SIPDIS
political officer March 16, sketched an optimistic outlook
for the ruling PLD's candidates in the Dominican Republic's
May 16 congressional and municipal elections and explained
their potential significance. President Fernandez's chief
political strategist questioned the reliability of the
Central Election Board (JCE) and acknowledged that campaign
financing practices leave the door open to illicit
contributions and influence of narcotraffickers.

Significance of Midterm Elections

The government would like to increase its strength in
Congress and among the municipalities, to reduce opposition
parties' dominance of these institutions. Beyond this,
Medina said the public to some extent will consider the
midterm election as a referendum on the Fernandez
administration's performance since August 2004. Even though
there is "no logical connection," in Medina's view, the

results are likely to influence President Fernandez's chances for reelection in 2008 -- positively or negatively.

Optimistic Outlook for Ruling PLD

Medina referred to Hamilton Beattie & Staff poll results from early March showing the PLD with 42% of voter intentions versus smaller numbers for the opposition PRD (22%) and PRSC (19 percent). Similarly, top PLD figures garnered a lion's share of favorable ratings, including President Fernandez with 60 percent (and, political officer added, Medina with 50 percent). "The party's poll ratings have barely changed since President Leonel won the 2004 election," noted Medina; "the stability is remarkable. The PRSC is overrated in this poll, in reality, it has the same level of support as it won in 2004 -- about 9 percent." Bottom line according to him: The PLD retains the loyalty of a majority of Dominican voters 18 months after assuming office.

Moreover, the PLD now claims a party membership that rivals or exceeds that of the PRD. PLD rolls list 1.1 million members, and more than 300,000 additional persons have applied and are pending approval. Medina estimated that 2.9 million persons might vote in May, based on historical turnout in midterm elections (about 50%). If the PLD were to get 100 percent of its members to vote, it could determine the outcome, he asserted. Political officer pointed out the obvious, that a 100 percent turnout in any election, let alone a midterm one, is extremely unlikely. Medina concurred. But he disagreed with a common assertion that the PLD remains predominantly a middle-class party: "We have a large working class base."

According to Medina, 73 percent of Dominicans polled recently said they believed the PLD will increase its representation in Congress and municipal governments in this election. He projected that the PLD will win 10-12 Senate seats out of 32 (up from 1 at present) and as much as half of the lower house (89 of 178 seats, up from 42 of 150 currently). But he declined to predict how many municipal governments the PLD will control (currently it has only 7 of 151 mayors). Medina was confident of PLD victories in the nation's bigger cities -- the National District, some of its big suburbs, Santiago, San Cristobal, La Vega, La Romana. He foresaw a double PLD victory in the National District -- for mayor and senator -- and the possibility of defeating the PRD mayor of Santo Domingo East and electing a PLD senator from Santo Domingo province, the nation's most populous.

PLD Campaign Strategy

Medina acknowledged the PLD's relative weakness in small towns and rural areas. The party plans to spend some of its 155 million pesos (4.8 million USD) in public campaign funding on a municipal-level poll that can serve as a basis for campaign strategy. The opposition PRD-PRSC alliance will help the PLD offset some of this disadvantage, in his view, because local leaders of those parties -- disgruntled by this "unnatural" alliance -- have defected in significant numbers to support the ruling party and its "Progressive Bloc." He cited examples in Salcedo and Santiago Rodriguez provinces, where PLD candidates for senator now have the edge. Other politicians, displaced by a legal requirement that 33 percent of each party's candidates be female; have switched to parties that could offer candidacies for city council seats or other elective positions. Additionally, in small provinces with only 2 or 3 legislative representatives, he predicted the PLD will be able to split the seats with the alliance (1 of 2 representatives, or 2 of 3).

To maximize its impact in local elections, the PLD in the campaign will attack the opposition-controlled municipal governments' inefficiency and failure to live up to their obligations. The percentage of government revenues allotted to local administrations increased to 10% last year, but Medina accused them of wasting these resources, which have

been spent more on padding the public payroll than on investments or services. By law local spending on payroll is capped at 25 percent; in reality the amount averages 53 percent nationwide. Consequently, he said the central government has to pave streets, build local roads, provide garbage collection, and do other jobs that town administrations are supposed to do.

He has advised President Fernandez that the campaign should also highlight social programs to help the poor, "because widespread poverty undermines the support of any government."

Asked whether the controversial Santo Domingo Metro -- criticized for diverting funds from social spending -- would become a campaign issue, he replied, "No. A poll has shown that two-thirds of Dominicans support it. Opposition parties have stopped criticizing it; only civil society still complains."

Dirty Money and Corruption

Medina admitted that the PLD's rapid growth, from "a party of cadres" to "a party of masses," has made it more vulnerable to dirty campaign financing. Public funds provided by the JCE will provide only a fraction of what is needed; even in a small province, a congressional candidate will spend 5-6

million pesos (USD 156,000 - 188,000). Candidates must raise substantial funds from other sources, and big businesses tend to contribute less to midterm election campaigns than presidential ones. "Drug traffickers will try to insert themselves -- it's inevitable, given the known increase in narcotrafficking in the country." A builder of apartments who contributes to a campaign might be laundering ill-gotten funds, but a candidate may not know this. Campaign financing and business accounting is non-transparent in the Dominican Republic, and a business may have far higher assets than declared to tax authorities.

Medina confirmed the PLD's efforts to exclude candidates suspected of corruption or tainted by criminal charges. "Deportees from the United States are only part of the problem." He cited the case of Felix Alcantara, former head of the Public Enterprise Reform Commission, who until recently was a PLD candidate for congressional representative from San Juan de la Maguana. Dominican Government prosecutors last year accused Alcantara of embezzling some 30 million pesos (USD 900,000) in connection with government-owned salt and gypsum mines, and he has withdrawn his candidacy. Once the demands of the election are past, the PLD plans to beef up its members' training and adherence to ethical standards.

Doubts about the JCE

Medina took a jaundiced view of the evenhandedness of the JCE. "Eight of the nine judges belong to the opposition alliance," he asserted. Political officer asked about JCE president Luis Arias, formerly associated with Hatuey DeCamps faction of the PRD, but rumored to be closer to President Fernandez since DeCamps founded his own political party last year. "Yes, Arias is more neutral now. But that leaves seven of the nine who are Perredeistas or Reformistas, and they are allied for the election." A JCE decision in February to turn down all 33 new political parties and movements that had applied for legal recognition reflected bias, in Medina's opinion. "Most of these were inclined more toward the PLD than toward the opposition."

Election Observers

Political officer informed Medina that the Embassy continues to fund an NGO that is training domestic observers for the elections and that the Embassy is prepared to support international election observation. "That's very good," he replied. "May I tell President Fernandez?" Political

officer answered affirmatively.

12. (U) Drafted by Bainbridge Cowell.

13. (U) This piece and others in our series can be consulted at our SIPRNET web site (<http://www.state.sgov.gov/p/wha/santodomingo>) along with extensive other material.

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